



Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN PEARSON'S ACQUISITION OF HARCOURT ASSESSMENT

Divestitures Will Preserve Competition in Three Clinical Testing Markets

WASHINGTON — The Department of Justice said today that it will require Pearson Plc to divest assets relating to three clinical testing markets in order to proceed with Pearson's proposed \$950 million acquisition of Harcourt Assessment. The Department said that the transaction, as originally proposed, would have resulted in higher prices to purchasers of clinical tests, including many school districts, and would likely have impaired the launch of a competitive new test for adult abnormal personality disorders. The products to be divested are clinical tests that are used by psychologists, speech-language pathologists, and clinicians to diagnose persons who have or are at risk of developing certain disorders or disabilities.

The Department's Antitrust Division filed a civil antitrust lawsuit today in U.S. District Court in Washington, D.C. to block the proposed acquisition. At the same time, the Division filed a proposed settlement that, if approved by the court, would resolve the lawsuit and the Department's competitive concerns.

The Department concluded that the transaction would have eliminated competition between Pearson and Harcourt and likely would have led to higher prices and reduced innovation for adaptive behavior and speech and language clinical tests. The merging parties are two of only a few firms that supply such tests. The Department also concluded that the proposed merger would have prevented Harcourt's planned entry as an independent competitor in the market for adult abnormal personality clinical tests, which likely would have resulted in a decline in prices and greater innovation for such tests.

"Without the divestitures obtained by the Department, purchasers of clinical tests for adaptive behavior, speech and language, and adult abnormal personality likely would have faced higher prices and reduced innovation as a result of this transaction," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "The divestitures will ensure that customers—including school districts, health clinics, and hospitals—will continue to receive the benefits of competition."

Clinical tests are used by psychologists, speech-language pathologists, and clinicians, among others, to test for and diagnose individuals with disorders or disabilities, as well as to identify individuals at risk for such disorders or disabilities. Publishers, including Pearson and

Harcourt, develop, edit, standardize, norm-reference, market, and sell clinical tests for a wide range of disorders and disabilities.

Under the terms of the proposed settlement, Pearson and Harcourt must divest: Harcourt's adaptive behavior clinical test, the Adaptive Behavior Assessment System; Harcourt's adult abnormal personality clinical test, the Emotional Assessment System, which is under development; and in the speech and language clinical test market, either Pearson's Comprehensive Assessment of Spoken Language and the Oral and Written Language Scales or Harcourt's Clinical Evaluation of Language Fundamentals. Under the proposed settlement, the Department's Antitrust Division must approve the buyer of each of the divested assets.

Pearson Plc, headquartered in London, operates businesses in educational publishing, business information and consumer publishing. Pearson Education Inc., a wholly-owned subsidiary of Pearson Plc headquartered in Upper Saddle River, N.J. develops and sells clinical tests throughout the United States.

Reed Elsevier Plc and Reed Elsevier NV jointly own Harcourt Assessment Inc. Reed Elsevier Plc is headquartered in London and Reed Elsevier NV is headquartered in Amsterdam, Netherlands. Harcourt, headquartered in San Antonio, Texas, develops and sells clinical tests throughout the United States.

As required by the Tunney Act, the proposed settlement, along with the Department's competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to James Tierney, Chief, Networks and Technology Section, Antitrust Division, U.S. Department of Justice, 600 E Street N.W., Suite 9500, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the court may enter the final judgment upon a finding that it serves the public interest.

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